



**Prepared Statement of
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Good morning. My name is Vickie Norris. I am Director of Government Relations for the Great Lakes Region of CenturyTel that includes properties we operate in Michigan, Ohio, and Indiana. I would like to spend a few minutes telling you about our company and our unique position in this industry as well as the issues we face relating to future growth, investment, regulation and competition.

CenturyTel is a rapidly growing national telecommunications company with headquarters in Monroe, Louisiana and operations in 22 states, including Michigan. We are recognized as a leading provider of telephone, long distance, Internet, data, broadband and security services, and we specialize in providing high-quality telecommunications services to mostly rural and some small urban markets. Deployment of advanced services in rural markets is a key operational objective of CenturyTel. Our DSL deployment schedule is one of the most aggressive in the nation with approximately 70 percent capability company-wide.

Today CenturyTel is the eighth largest telephone company in the United States with 2.4 million access lines. We are publicly traded on the New York Stock Exchange under the symbol, "CTL." Much of CenturyTel's growth has come from recent acquisition of

rural telephone lines in various states that we have purchased from larger Bell Operating Companies. Industry consolidation and competition have forced some Bell companies to sell their more rural properties to rural local exchange companies (RLECs) like CenturyTel so that they can concentrate on their more urban areas where competition is strongest. CenturyTel has purchased more than 1 million Bell access lines since 1998. Rural telephony is what we do best, and we operate many very small, rural exchanges throughout the country. Our average exchange is less than 2000 lines and our average population density is approximately 13 customers per square mile.

Prior to 1997, CenturyTel served less than 500,000 customers in 14 states. Today we serve more than 3 million customers and are growing. Our growth has created jobs in various states, many of them here in Michigan, and sparked much-needed investment for services like broadband, Internet and competitive long distance offerings. We believe we are doing the things envisioned by the federal Telecommunications Act of 1996- especially as it relates to serving rural markets with affordable advanced services.

In Michigan, CenturyTel is the 3rd largest telephone company in the state, serving just over 172,000 customers with wireline (112,000 access lines), Internet, long distance, security and DSL services. Our markets are not Detroit, Battle Creek or Flint, but are much smaller exchanges such as Caro, Chesaning, and the very small such as Gulliver, with 527 customers. In total, we serve 55 small, rural exchanges in the state. In some of our exchanges, the largest business customer is the school system. What we are talking about here are mostly small, extremely rural, high cost service areas.

CenturyTel employs approximately 200 people statewide and has made capital investments in Michigan totaling more than 400 million dollars. We are committed to our

rural customers in Michigan and have an aggressive broadband deployment schedule that is providing modern DSL services to some very small exchanges. Today we have achieved a little over 60 percent capability that has made a positive difference for many of our small business and residential customers who need a link to a global economy. Our Brant exchange, with 744 total access lines has DSL availability and we have 35 customers currently subscribed.

Independent companies like CenturyTel represent the best hope for rural consumers in Michigan to receive improved and advanced services for several reasons. We believe that the well being of the nation's telecommunications infrastructure in smaller, rural markets that are served by independent rural providers is a vital component of the overall well-being on the Nation's telecommunications infrastructure. That "well being" is driven in large part by investment that improves infrastructure that benefits all carriers, including our competitors, and all customers, regardless of where they live. Today, telecommunications is an economic development driver for rural America and can make the difference between an empty industrial park and one that attracts global businesses and jobs to small communities. Again, to point to Michigan specific information, this year our capital budget is over 14 million dollars. From our largest exchange, Caro, where we are investing \$1,119,000 to enlarge the central office for future growth, we are placing three additional Next Generation Digital Loop Carriers and approximately 8 miles of fiber and 7 miles of copper to feed cabinets and distribution within this serving area. This will allow for additional DSL customers and relieve existing plant. In our Glennie exchange, we are investing approximately \$458,000 to place approximately 12 miles of fiber optic cable to complete the third and final link of a fiber ring. This is to

replace an old multi mode fiber route put in approximately 15 years ago that is going dark over the years. These are just two examples of this year's construction budget and it is not an unusual year. CenturyTel has and will continue to invest in its markets.

Our goal as a company is to continue as a leading provider of communications services in rural markets and to continue to make strategic acquisitions of Bell operating company lines. To do that, we need for the Congress, the FCC and our 22 state commissions to recognize that long-term economic stability and regulatory policies are needed to send strong economic and business signals that promote investment, job creation and continued growth.

The telecommunications industry is at a crossroads. Line growth is flat, minutes of use are down, capital markets are drying up and competitive threats come from a variety of sources not foreseen by the Act. The larger companies are cutting telecommunications jobs and capital investment in infrastructure has fallen to the budget knife in all sectors. None of this bodes well for rural consumers who depend on high quality and advanced telecommunications services to conduct business or talk to loved ones.

Much of our discussion today will focus on competition. CenturyTel has the advantage of seeing competition through a snapshot of service areas in 22 states. Despite what some may think, competition is a reality in most small, rural markets. Admittedly, it is not as robust as that found in urban and metropolitan markets, but it is there and it is usually proportional to the size and rural characteristics of the market. On average, rural telephone companies serve an 80/20 ratio of residential to business customers. That means in some towns, we have one, let me repeat, one large business, if that many-in many cases, maybe no large businesses. Losing that one customer to a competitor

translates to losing 100 percent of our business customers. That is what I mean by “proportional.” It is important to note than I mentioned only the business customers. Our competitors in most cases don’t offer services to residential customers.

And, as the Act also envisioned, there is no one “killer competitor” out there for rural telcos. We see UNE-based, we see facilities-based, we see resellers, we see wireless, we see cable and even some satellite competitors. In some extreme cases, maybe we see a combination of some or all of these at one time in some small exchanges. My point is that competition in rural markets is evolving and will continue to evolve.

The issues that CenturyTel and other independent telcos face today is that technology is outpacing regulation and the economy and recent business failures are casting an ominous shadow over those of us still standing. Those of you who run businesses know that flexibility and options are needed to operate in today’s business climate. In many cases, those options are not available to independent providers. Regulations that either purposefully or unintentionally cause an established business, such as a phone company, to lose customers or revenues in the name of competition may appear logical on the surface. However, in rural America, where the balance between universal service and economics and competition is so delicate, those lost customers and revenues translate into lost jobs and lost investment from a source that will likely not be replaced by the competitor.

This is not to say that there should be no competition in rural Michigan or anywhere else. However, the federal Act is clear in its recognition of the unique characteristics of rural markets, rural customers and rural providers. The Act did not intend to keep competition at bay, rather, it stressed that regulators should be mindful and cautious of

the long-term public interest in establishing how, when and where competition should unfold in a rural exchange.

CenturyTel and other independent telephone providers in Michigan are hopefully here to stay. We want to continue to serve-we want to provide quality service-we want to invest, and we want the communities where our employees live and work to grow and prosper. We even want some competition if that competition will make us better and we can respond to it.

All of this can and will happen, but public policies must be clear in their intent. This is really nothing more than a “crawl before you walk” set of priorities from a business and regulatory standpoint. We must develop a stable and firm foundation before we begin building the house. If there is no regulatory or economic stability in sight--if universal service and competitive issues remain indefinitely unresolved--if capital markets continue to dry up and investment is abandoned--then all of the competition in the world will do little to make life better for even one rural customer. In order of magnitude, I would guess that most rural customers would favor jobs, quality service and investment over having a choice of three or four providers. Without the stable foundation that allows for continued infrastructure investment and stability, all of the other issues we debate here today will be of little importance.